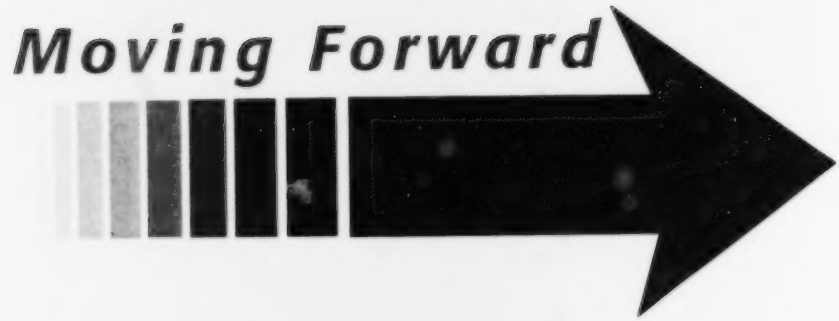
BC Buildings Corporation

2002 - 2003 Annual Report

Moving Forward



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British Columbia Buildings Corporation

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Minister of Management Services
and Minister Responsible for BCBC
Sandy Santori

Her Honour,

The Honourable Iona Campagnolo
Lieutenant-Governor of the Province of British Columbia

May It Please Your Honour,

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 2003.

Sandy Santori
Minister of Management Services
and Minister Responsible for BCBC

Corporate Overview

BCBC Legislation

The mandate of British Columbia Buildings Corporation (BCBC), as established under Section 4 (1) of the *British Columbia Buildings Corporation Act* and amended under Section 2 of the *Miscellaneous Statutes Amendment Act (No.2), 1997*, is as follows:

"The purpose of the Corporation is to serve as an agency of the government in providing land and buildings for accommodation of ministries of government, public bodies and agents, corporate or otherwise, of the government by lease or licence or any other arrangement for the use and occupation of the accommodation."

This mandate includes the following responsibilities:

- to provide cost-effective real estate and accommodation services to the public sector (a service provider function)
- to contribute to its customers' success through a thorough understanding of its customers' needs and identifying related best value accommodation solutions
- to fulfil an obligation to the shareholder to provide innovative stewardship of real property infrastructure

Enduring Purpose

The enduring purpose is the essence of the Corporation's vision, mission and core values. It is lived on a daily basis across the organization. BCBC's enduring purpose is:

"Best Solutions for Best Value"

- By *Best Solutions* we mean sustainable products and services that best meet the requirements of our customers and the interests of government.
- By *Best Value* we mean providing our customers with a full range of cost-effective quality products and services.

Vision

Our vision statement describes a compelling future state that we believe is both ambitious and attainable.

- We will be vital to our customers' success by creating flexible and affordable workplace environments that respond to their program requirements and employee needs.
- We will be indispensable to our shareholder through our innovative stewardship of public real estate assets.

As a result, we will earn respect and recognition as leaders in providing *"best solutions for best value."*

Mission

Our mission describes the purpose towards which we, as employees, commit our work life. The mission describes the business we are in, why we exist, what we produce and whom we serve.

Our mission is:

- to support effective service delivery of government ministries, agencies of the Crown and other publicly funded organizations throughout British Columbia by efficiently managing and planning the delivery of real property and accommodation infrastructure solutions
- to provide innovative stewardship of the assets and resources entrusted to us

In carrying out our mission, we provide knowledgable advice and expertise, work effectively with the private sector and contribute to environmental sustainability.

Our mission is achieved by our diverse and motivated team of highly skilled employees.

> **Our mission** is achieved by our diverse and motivated team of highly skilled employees

Corporate Positioning

Corporate positioning describes what situates us uniquely in our business environment that causes our customers to want to do business with us. It builds on our enduring purpose.

We are a shared service provider to public sector organizations for real property and accommodation infrastructure services. We differentiate ourselves through:

- our customer relationships
- our distinctive knowledge of government, customer programs and real property and accommodation infrastructure solutions
- effective work with the private sector to ensure our customers' success

We offer our customers choice and we earn their loyalty.

We provide *"best solutions for best value."*

Core Services

BCBC is in the process of moving from the role of landlord to that of strategic advisor in order to deliver shared services for real property and accommodation infrastructure services. BCBC operates two lines of business:

1. **Management of Real Property and Accommodation Infrastructure Planning and Service Delivery** by ensuring customers are given a full range of choices for accommodations solutions that are based on an in-depth understanding of customers' strategic services and plans, as well as knowledge of government requirements.

   This business group is responsible for overall account management and for obtaining and managing a range of services to support customer program delivery, including: real property and accommodation infrastructure planning; operations and maintenance services; negotiation and management of leases; planning and management of building construction; major capital upgrades; and renovations and tenant improvements.

2. **Portfolio Management and Stewardship Services** provides the shareholder with expert guidance on government policy, target setting and decision-making as it relates to the broader real property system of the province. This group is responsible for managing government real property in accordance with shareholder direction and corporate policy, which includes: vacant space management; portfolio management; real estate sales; policy and standards consultation; and environmental management.

   The portfolio of owned, leased and maintained properties that BCBC administers on behalf of the provincial government extends throughout the province.

Core Values

These values represent our corporate and individual behaviours and define how we will treat our customers, suppliers and each other.

- We treat all individuals with fairness, dignity and respect.
- We are open and honest and demonstrate integrity in everything we do.
- We work to know our customers and treat them as partners.
- We make and keep our commitments—get the job done!
- We are flexible, innovative and proactive.
- We work with our customers to bring value to our shareholder and the taxpayer.
- We support one another to achieve corporate goals.
- We measure and monitor our performance to established targets.
- We support and develop our people to achieve our corporate and individual potential.
- We are socially and environmentally responsible in our business operations.

Scope of Operations

BCBC's diverse portfolio ranges from the Vancouver Law Courts and Robson Square complex to heritage buildings dating from the 1860s, to office buildings, residential institutions, courthouses, ambulance stations and correctional centres.

BCBC manages nearly 24.8 million square feet **(2.3 million square metres)** of space.

Organizational Structure

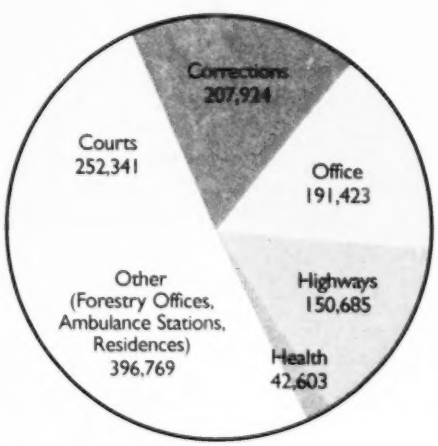
BCBC is a highly decentralized corporation with a province-wide network of employees strategically located in communities throughout BC.

Operational/Financial Principles

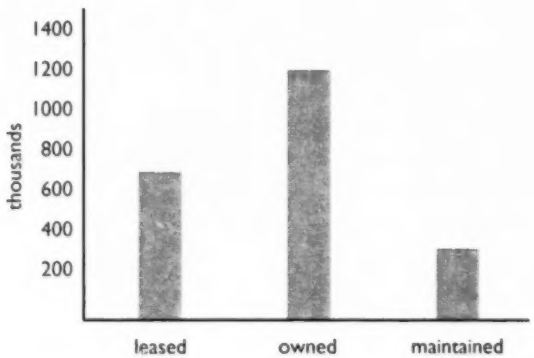
BCBC is structured similarly to a private sector enterprise. The Corporation uses private sector management and accounting methods.

BCBC provides accountability by charging rents according to market principles and ensures that its underlying policies are fully market-defensible. This approach has enabled BCBC to earn market-comparable financial returns on both individual projects and total operations, as well as to pay annual dividends to its shareholder, the Province.

Asset Use - Owned (m^2)
2002-03



Leased, Owned and Maintained (m^2)
2002-03



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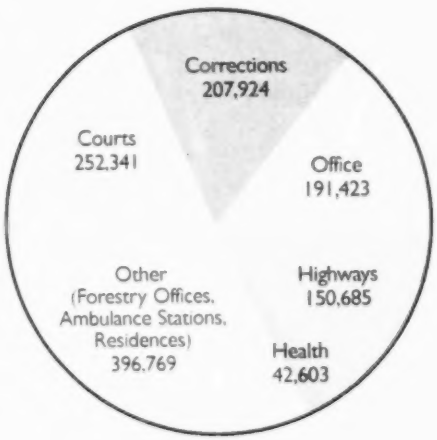
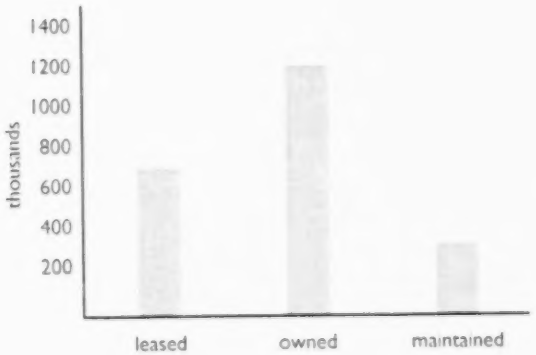


Leased, Owned and Maintained (m^2)
2002-03



Location of Services

BCBC Districts

❶ Skeena/Central Interior/Peace District:

Clinton, 100 Mile House, Williams Lake, Likely, Quesnel, Hagensborg, Bella Coola, Horsefly, Alexis Creek, Prince George, Fort St. John, Dawson Creek, Fort Nelson, MacKenzie, McBride, Valemount, Vanderhoof, Fort St. James, Fraser Lake, Burns Lake, Smithers, New Hazelton, Kitwanga, Terrace, Prince Rupert, Stewart, Dease Lake, Atlin, Kitimat, Queen Charlotte Islands.

❷ Thompson/Okanagan/Kootenay District:
Kamloops, Vernon, Kelowna, Penticton, Salmon Arm, Merritt, Lillooet, Blue River, Osoyoos, Clearwater, Princeton, Sicamous, Oliver, Nelson, Cranbrook, Golden, Revelstoke, Castlegar, Trail, Grand Forks, Invermere, Fernie, Creston, Kimberley, Rossland, Kaslo, Nakusp.

❸ Vancouver Island/North District:
Suburban Victoria, Vancouver Island, Powell River, Gulf Islands.

❹ Vancouver District:
City of Vancouver, North Vancouver, West Vancouver, Pemberton, Sunshine Coast, Squamish, Whistler.

❺ Fraser District:
Abbotsford, Maple Ridge, Chilliwack, Upper Fraser Valley, Hope, Delta, Surrey, White Rock, Langley, Richmond, Cloverdale, Aldergrove, Pitt Meadows.

❻ Burnaby/New West/Tri-Cities District:
Coquitlam, Port Coquitlam, Port Moody, New Westminster, Burnaby.

❼ Victoria District:
Downtown Victoria, Legislative Precinct, Government House.

President's Message

Moving Forward

John Beales
President and
Chief Executive Officer

This past year has been a time of significant challenges, change and accomplishments for BCBC. In order to meet corporate commitments and support ministry changes identified under the Core Services Review, BCBC staff worked very closely with customers and specialized Cross-Ministry Work Teams to identify and implement accommodation changes and space reductions. These projects resulted in $20.2M in actual savings in building occupancy charges in the 2002-03 fiscal year.

In January 2003, BCBC implemented internal restructuring to align with changing priorities for customer services and stewardship principles. Internal processes have been realigned and streamlined to increase both service delivery options and efficiency. The two key business areas in the Corporation are now Customer Services and Portfolio Management.

There were also significant changes in the governance of BCBC. Seven new Board members were appointed in 2002, Board Chair Doug Allen left to take on new responsibilities, and Dennis Truss retired after 15 years as President and CEO.

In the 2002-05 Service Plan, BCBC established its direction, aligned its budget and defined the resources needed to continue to run the business while restructuring the Corporation. BCBC is committed to providing transparent and accountable reporting of its progress on corporate activities. This annual report is a companion document to the Service Plan. It meets the annual reporting guidelines developed by the Crown Agencies Secretariat and incorporates the eight reporting principles identified by the provincial government.

This report examines how well the Corporation has met its strategic objectives of ensuring Customer Success, Strengthening Our Foundation, developing a High-Performance Culture, and Increase Shareholder Value. The **Report on 2002-03 Performance** section provides details of the Corporation's progress in meeting its goals as outlined in the **2002-05 Service Plan**. **The Year in Review** section tells the story of how BCBC is meeting the following five key action items that were agreed to under the Core Services Review:

1. **Leading the government accommodations restructuring initiative (GARI).** Over 590 projects already identified and in the system for implementation through the duration of GARI generated $26.5M in annualized savings by March 31, 2003, and are expected to generate $45.7M in annualized savings by March 31, 2004. Corporate projections, which are based on anticipated GARI projects, indicate that annualized savings of $51.5M may be reached by the end of March 2004.

2. **Strengthening BCBC's shared services model.** By March 31, 2003, BCBC had entered into Service Level Agreements with 45% of its ministry customers. These performance-based agreements target specific customer service needs. They outline the range and level of services and costs agreed to by customers. It is expected that all ministries will have signed Service Level Agreements by the end of the first quarter of 2003-04.

❸ **Strategic disposal of real estate assets.** BCBC initiated a more focused real estate disposal plan and made significant progress in reducing its owned portfolio. For example, two major office buildings, Seymour Place in Victoria and Chancery Place in Vancouver, have been sold and leased back for government programs. A new corporate policy, the Ownership of Real Property Assets Policy, has been implemented. It sets out the principles and criteria to be applied in strategic decisions to dispose of, retain or potentially acquire properties. An aggressive sales plan has also been implemented.

❹ **Increasing the role of the private sector and the use of alternative service delivery**. By the end of 2002-03, BCBC had completed the first phase of the bidding process to call for expressions of interest from potential outsource suppliers of property management services. The calls for qualifications and proposals will be completed within the 2003-04 fiscal year.

❺ **Increasing the focus on health and education sectors,** as well as the efficiency of government's overall real property system. BCBC is providing expert advice through agreements with the provincial health and education sectors and strategic advisory services to government entities in the broader public sector.

These five key actions have guided the Corporation's change strategies and have helped move BCBC along the continuum of change towards the goal of becoming an expert strategic advisor that brings value to the shareholder, customers and the taxpayers of BC.

The BCBC Board of Directors has provided leadership and support for setting the Corporation on a new course. The Board plays an integral and valued role in overseeing the Corporation and in maintaining strong governance practices. On behalf of the BCBC executive, I would like to take this opportunity to thank former Chair, Doug Allen, and Acting Chair, Lucie Gosselin, as well as the other Board members for their support and assistance. I would also like to thank the Honourable Sandy Santori, Minister Responsible for BCBC, for his support and commitment to the Corporation's new direction.

I would like to extend my thanks to Dennis Truss for his assistance as I assumed leadership responsibility for BCBC and to acknowledge his contribution to building a strong and viable corporation with opportunities for future growth.

BCBC is a unique organization. Over its lifetime, it has been involved in significant and sophisticated projects that, in and of themselves, have created expertise and know-how. There is a range and diversity of experience here that has given the Corporation both breadth and depth. I want to express my appreciation to the dedicated, trained and professional staff at BCBC who, in making fundamental yet difficult changes, have worked so hard to transform the Corporation. This Annual Report covers the first steps on our journey to change. Over the next few years, the Corporation will, under the expert guidance of our Board of Directors and Minister, continue to evolve. I am pleased to have this opportunity to tell the story of how BCBC is changing to meet the challenges ahead.

John Beales
President and
Chief Executive Officer

Financial and Operational Highlights

The Corporation's net income of $52.1M for the 2002-03 fiscal year represents a considerable improvement relative to 2001-02 and to the 2002-03 budget ($33.8M). This has resulted in a significantly higher return on equity. Income performance reflected the influence of positive variances in most operational revenue and expenditure categories, as well as the impact of significant one-time items, including net cost recoveries from the early termination of tenancies in special purpose properties ($13.1M) and net gains on property sales ($10.5M).

Net gains on property sales were 75% higher than budget ($6M) and approximately 60% higher than in 2001-02, reflecting the success of accelerating the sale of surplus properties. This has impacted both the composition of the managed portfolio (with owned space declining by 2.8% relative to 2001-02) and debt (which declined by 23% as a result of proceeds from sales being utilized to reduce debt) — reinforcing long-term downward trends in both statistics.

There were significant reductions in various expenditure categories, including:

- A 12% reduction in general and administrative costs, indicative of the Corporation's aggressive management of its overhead costs.
- A 10% reduction in operations and maintenance costs (per square metre) for owned office buildings. These costs are considerably (18%) below the industry standard/benchmark.
- Continued reductions in energy consumption, reflecting the impacts of energy retrofit projects undertaken as part of the Green Buildings BC Program, as well as the heightened level of scrutiny being applied by staff in BCBC district offices.

Customer satisfaction has remained relatively stable at 67% compared to ratings obtained from past surveys (in 1999 and 2001). This is considered a satisfactory result given the significant changes our customers are experiencing and those that are underway within the Corporation.

Employee absenteeism, at 2.9%, is comparable to the five-year corporate average and continues to compare very favourably with public sector benchmarks. This suggests that despite current uncertainties related to corporate restructuring, employee wellness and morale was maintained.

A more detailed assessment of key financial and operational results is provided in the following sections:

- The **Management Discussion and Analysis** section provides an overall assessment and analysis of operational and financial results, market and industry conditions, including a discussion of risks and uncertainties.
- The **Report on 2002-03 Performance** section reports on specific results against the strategies and targets established for 2002-03 in the Corporation's 2002-05 Service/Strategic Plan.

Five-Year Comparison

Year Ended March 31	2002-03	2001-02	2000-01	1999-00	1998-99
Financial					
($ thousands)					
Gross revenue	461,172	458,788	451,807	447,655	436,264
Income before gains and one-time items	36,867	36,089	40,529	45,717	39,457
Gains on property sales	10,535	6,636	10,351	15,883	9,963
Net income	52,123	37,253	50,880	44,995	49,420
Total assets	918,053	991,831	953,604	968,684	1,095,714
Debt	463,062	601,753	613,243	618,705	727,133
Corporate operating margin (%)	16.0	16.6	17.4	19.9	20.8
G&A costs as percentage of revenue (%) [1]	2.4	2.8	2.6	2.4	2.2
Return on investment (ROI) (%)	8.0	8.1	8.5	9.0	8.6
ROI on owned office buildings (%)	9.4	9.4	9.4	9.1	-
Return on equity (%)	16.6	13.2	18.7	15.8	18.1
Operational					
Properties (m^2) - owned	1,267,193	1,303,612	1,312,210	1,314,195	1,330,816
- leased	701,369	690,552	695,077	691,003	714,185
- maintained	418,623	386,621	360,695	350,473	406,186
Office vacancy rate (%)	1.96 [2]	1.88	2.00	2.02	1.35
Area managed per O&M employee (m^2)	7,414	6,275	6,135	5,994	-
Energy intensity (MJ/m^2) [3]	1,205	1,229	1,283	1,262	1,163 [4]
Rate of absenteeism (%)	2.9	2.6	2.3	3.0	3.0
Number of employees [5]	756	850	858	833	808

Notes:
1. General and administrative costs; includes functional activities not directly recovered from customers (corporate overhead).
2. Vacancy rate adjusted for Government Accommodation Restructuring Initiative activity; gross vacancy rate is 4.45%.
3. By calendar year (e.g., results for 1999-00 are for the 1999 calendar year).
4. Energy intensity in 1978, the year the BCBC Energy Management Program began, was 2,543.
5. Year-end full-time-equivalents (FTEs); includes temporary and auxiliary staff.

The Year in Review

This past year has been a time of transition and tremendous change in the British Columbia public sector and in the British Columbia Buildings Corporation. The Core Services Review process and the resulting government restructuring initiative has created significant demands for the Corporation's strategic accommodation planning services and has challenged our stewardship and portfolio management strategies.

The Corporation has enhanced its role as a customer-focused shared services provider through comprehensive internal restructuring. New service level agreements providing broader levels of choice have been introduced; new business agreements with the broader public sector have been signed; the real estate ownership policy has been revised; and a process to evaluate the outsourcing of property management services has been launched. The Corporation met over 78% of its 2002-03 business priorities and substantially met, or exceeded, over 80% of its performance targets.

Consistent with its Core Services Review direction, the Corporation is making the shift to becoming a strategic real estate and accommodation infrastructure services provider. Over the 2003-04 fiscal year, BCBC expects to begin delivering routine property management services through an increased use of the private sector. In the midst of this transformational change process, the Corporation has welcomed a new President and Chief Executive Officer and said goodbye to retiring employees, many of whom have been with the Corporation since it was formed in 1977. BCBC will continue to reshape its business model to meet changing customer requirements and to further enhance its shared services role in order to provide strategic advisory services for government and the broader public sector.

Detailed information on the Corporation's performance is provided on pages 18 to 27 of this Annual Report. This **Year in Review** section focuses on the Corporation's progress in meeting the following five key action items identified under the Core Services Review:

- leading the Government Accommodation Restructuring Initiative
- strengthening BCBC's shared services model
- strategic disposal of real estate assets
- increasing the role of the private sector and the use of alternative service delivery
- increasing the focus on health and education sectors

1 Leading the Government Accommodation Restructuring Initiative

Government restructuring stemmed primarily from the application of the Core Services Review process to all government entities in the provincial government. The Corporation proposed, and obtained approval from government, to take the lead in planning and implementing real estate and accommodation changes arising out of government restructuring. This project, named the Government Accommodation Restructuring Initiative (GARI), is a complex and highly sophisticated strategic accommodation planning and space management process. Detailed plans encompassing relocation, consolidation and renovation of ministry facilities, based on projections and assumptions about changes to ministry programs and service delivery requirements, were developed and implemented. Moneys were set aside in government's centralized restructuring fund to facilitate the GARI program. A time limit of two years was established to encourage ministries to accomplish their restructuring by March 2004.

In the 2002-03 period, over 590 GARI projects were identified. Projects completed in 2002-03 resulted in actual savings of $20.2M and realized annualized savings of $26.5M by March 31, 2003. Corporate projections, which are based on anticipated GARI projects, indicate that annualized savings of $51.5M may be reached by the end of March 2004. The majority of the remaining government moves are expected to occur over the fall and winter of 2003-04.

As part of government restructuring, the Premier's Office also established a Service Delivery Project to review and improve delivery of government services in 16 small communities throughout the province. Cross Ministry Work Teams were established to develop community-specific, collaborative service delivery strategies in the selected communities. BCBC has integrated these projects with the overall GARI initiative and is helping these teams identify cost-effective accommodation options. Another 15 communities have been selected for phase 2 of this project.

2 Strengthening BCBC's Shared Services Model

A key component of the Corporation's new direction is focused on building a shared services model that provides customers with a range of choices for services and options for service delivery. Shared services are more than consolidating or centralizing services. They are a "best practice" approach to improving service delivery, reducing costs and giving customers more choices. Over the past year, BCBC has introduced the following strategic initiatives to support this change.

Service Level Agreements (SLAs)

Nearly one-half of BCBC's ministry customers (45%) had entered into Service Level Agreements (SLAs) by the end of March 2003. These agreements between the Corporation and its customers clearly delineate the services the Corporation will provide, the standards of performance the ministry may reasonably expect and how any differences in interpretation of the SLA will be managed and resolved.

The Service Level Agreement will be the Corporation's key customer relationship document and the primary tool for determining customer satisfaction through performance measures, which will evaluate and, if needed, improve services. Over time, the terms and conditions of the existing master Accommodation Agreement with ministries will be aligned with individual Service Level Agreements.

Enhanced Shared Services Agreements

In order to establish integrated service delivery mechanisms such as Full Workplace Provisioning, the Corporation entered into a Memorandum of Understanding (MOU) with two shared service providers — government's Common Information and Technology Services and Procurement and Supply Services. These MOUs outline how all three organizations will work together to improve responsiveness and costs of real estate and accommodation services, including provision of furniture and telecommunications equipment and connections

Full Workplace Provisioning (FWP)

In addition to the acquisition and letting of space, FWP includes setting up desks, file cabinets, phones, computer systems, fax machines, photocopiers and all the other equipment needed in an office.

This one-stop-shopping service, which will be implemented in the 2003-04 fiscal year, provides customers with the option of using BCBC to manage accommodation provisioning, including furniture and telecommunications. This integrated service delivery approach will ensure that offices are fully operational for the customer on their first day of work at a new location. By having BCBC coordinate the planning, procurement and ongoing management of accommodation and workplace components, customers can reduce the facilities management resources allocated to these tasks.

Moveable Asset and Inventory Recovery

Disposal and redistribution of assets such as furniture and equipment are critical steps in achieving GARI project objectives. As part of the GARI program, the Corporation has taken on a leadership role for decommissioning government facilities and accommodations. The Corporation has also provided advice to the Crown Agencies Secretariat on standardized processes for acquiring and disposing of furniture.

As part of government's restructuring initiative, BCBC has entered into a partnership with the Warehouse and Asset Inventory Recovery (WAIR) branch of Procurement and Supply Services to manage the supply and disposal of movable assets. This agreement streamlines processes for taking inventory of existing furniture and equipment and for identifying large lots of assets that can be reassigned or consolidated into other government offices. The intent is to minimize disassembly, storage and transportation costs of assets.

3 Strategic Disposal of Real Estate Assets

In order to accelerate disposal of its real estate assets, BCBC has revised its preliminary property evaluation processes for declaring properties surplus. It has also adjusted its environmental assessment procedures to implement a prioritized remediation plan that uses consulting engineers' reports to complete environmental due diligence procedures on surplus properties. In addition, the Corporation revised its ownership policy to establish strategic principles and criteria to guide reviews of the owned portfolio and to identify properties for disposal.

In 2002-03, the Corporation sold 62 properties, with proceeds totaling $98M. These results were achieved, in part, through accelerated sales strategies and the sale and lease back of two significant office properties; the former BC Systems building at 4000 Seymour Place in Victoria and the office tower at 865 Hornby Street in Vancouver. Results also reflect the sale of fish hatcheries late in the year.

A number of new properties were added to the Corporation's surplus list as a result of government restructuring. Many of these were special purpose properties, which create significant challenges for disposal. Special purpose properties declared surplus in the 2002-03 period included:

16 Courthouses
8 Correctional Centres
161 Highways Yards
5 Fish Hatcheries
4 Forestry Offices

4 Increasing the Role of the Private Sector and the Use of Alternative Service Delivery

The Corporation has initiated a number of activities to increase the use of private sector services through strategies such as P3 agreements, contract aggregation and outsourcing.

In pursuing these strategies, the Corporation is effectively differentiating between the areas where it adds strategic value to the delivery of public sector accommodations and where it can step back and coordinate the private sector delivery of transactional services.

P3s and Joint Venture Options for Redevelopment of Major Land Holdings

In 2002-03 the Corporation pursued several opportunities in the area of P3s and joint venture opportunities.

- BCBC worked with the Columbia Basin Trust on several projects, including a $4M office building and two congregate care facilities.
- P3 projects and joint venture options have been reviewed for the development of the Corporation's major property holdings, including the 65-acre Woodlands site in New Westminster and the 57-acre former New Haven Correctional Centre site in Burnaby.

  A call for proposals from the development community was issued for the Woodlands site in December 2002. Selection of the successful proponent was targeted for completion in April 2003.

Alternative Service Delivery

Options for outsourcing property management services began in the 2002-03 fiscal period, culminating in a call for expressions of interest in April 2003. The Corporation expects to issue a request for proposals in the summer and award a contract(s) in late 2003 or early 2004. The costs of province-wide provision of these services are more than $100M annually. If the outsourcing initiative is successful, property management staff are expected to migrate to the new outsource provider early in 2004. This has the potential to reduce the size of the Corporation by approximately 50 per cent.

Outsourcing Project Management Services

Rather than hands-on management of projects, the Corporation now acts as an owner's agent through provision of strategic advisory services. This new role of owner's agent is supported by a database of qualified consultants, project managers and planners, which was developed from responses to a province-wide advertisement. BCBC has also developed and posted on its website an electronic registration form for contractor registration and standardized forms for requests for proposals and contracts.

Contract Aggregation

The Corporation has a long history of relying on private sector vendors, suppliers and consultants to provide services throughout the province. A key area identified for business improvement under the Core Services Review included developing strategies for contract consolidation/aggregation. Throughout the 2002-03 year, BCBC established pilot projects to determine if contract aggregations would improve its private sector supplier management strategy, reduce administration costs and improve services. Consolidations in the following three general areas of service were implemented.

- province-wide consolidation of alarm monitoring and parking management contracts
- aggregation of numerous cleaning, elevator maintenance and fire/safety contracts
- pre-qualification of contractors for tenant improvement project activities

5 Increasing the Focus on Health and Education Sectors

BCBC has entered into six new Service Agreements/Memoranda of Understanding for provision of strategic advisory and portfolio services with customers in the provincial health sector and local and federal government sectors.

The Corporation has also agreed to catalogue and assess real estate inventories for customers in health, education and other public sector agencies. The Ministry of Health Services has signed an agreement with BCBC to act as its owner's agent for engaging and managing a private sector consortium to conduct a physical and functional inventory and assessment of all facilities used in health care delivery.

The Corporation is providing advice to the Grand Forks School District on the rationalization of their school portfolio.

BCBC, through a request from the Crown Agencies Secretariat, conducted an inventory assessment of properties owned by BC Housing.

Looking Ahead: Restructuring BCBC

This has been a challenging and successful year for BCBC. The Corporation has played a significant role in supporting government's restructuring requirements and has, through this process, identified areas for internal change.

After ten months of extensive reviews and planning, the Corporation implemented a new organizational structure that was announced to employees in January 2003.

The key principles guiding corporate change are:

- → *Enhancing and strengthening the shared services model in order to increase customer satisfaction and provide customers with choice in the levels of real estate and accommodation services, as well as streamlining service delivery.*
- → *Increasing the stewardship function of the Corporation and providing advice to the shareholder in areas of government policy, target setting and decision making as it relates to the broader real property system of the province.*

The Corporation identified the need to become more customer-centered by providing strategic real estate and accommodation advisory services to address changing customer needs, and to provide a wider range of choices while reducing the steps required to deliver the services customers want when and where they want them.

The Corporation has been reorganized into two lines of business: customer services and portfolio management.

Customer Services

Under the new structure, all areas of customer services are integrated under one Executive Vice-President. There are now three key responsibility areas that are managed by two Assistant Vice-Presidents and a Strategic Advisor. This structure reduces the decision points and breaks down the silos that have slowed customer service. The three responsibility areas are as follows:

Customer Advisory Services

Customers are grouped by similar service needs, within three distinct service departments: Legislature, Justice and Public Safety; Regional and Broader Public Sector; and Transportation, Natural Resources and Management Services. Each department has an Account Executive who is responsible for identifying and managing all services related to each customer group.

Service Delivery Management

This area provides the real estate and workplace provisioning services required by customers. These services include accommodation planning, development services and leasing negotiations. The property management section oversees the daily requirements of office and special purpose properties.

Strategic Customer and Supplier Management

This area has ongoing responsibility for customer relationship management and for strategic management of the supply chain. Their responsibilities include research and identification of customer needs and cross-jurisdictional best practices, as well as developing information on corporate services that support customer services managers and business development processes.

Portfolio Management

The Portfolio Management Group consolidates the value-added areas of the real property portfolio into one group. This alignment serves two purposes: it opens the door to increased opportunities for private sector involvement in asset ownership, development and sales; and it develops an integrated strategic advisory structure.

The focus of this group is on:

- cost-effective management of facilities that support government programs
- stewardship of owned and leased real estate in the Corporation's portfolio
- leadership in areas such as technical standards, building technology and the Green Buildings BC Program in order to provide high-performance buildings that are energy efficient and environmentally sustainable
- selling surplus and other selected properties
- advising the shareholder on real estate policy, standards and target setting

Corporate Services

Corporate Services is the internal shared services provider of corporate support services such as accounting, information systems, pricing, purchasing and legal advice. In keeping with the new business model of the Corporation, Corporate Services is developing a new financial model to align with increased accountabilities for financial performance at both the business unit and service level. Corporate Services is also identifying and implementing the changes required to information systems and related infrastructure to facilitate corporate restructuring and the outsourcing of property management.

Strategic Management

Included in this group are the President's office, the strategic management and shareholder relations, communications, human resources and operational analysis departments.

A Time of Transition

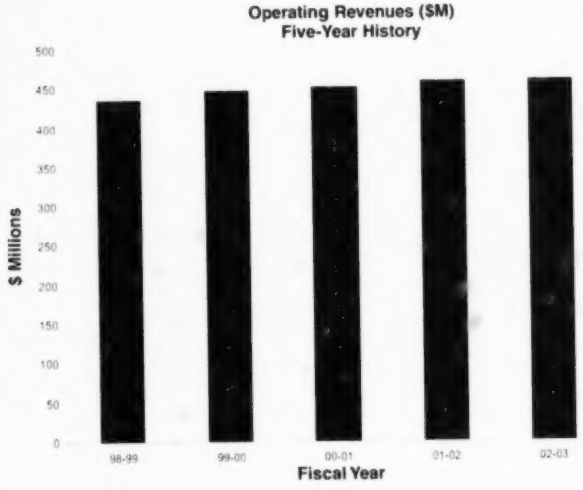
The Corporation expects more internal changes as the property management outsourcing process continues. BCBC operations will be streamlined, and efficiencies will increase.

The 2002-05 Service Plan, the companion document to this Annual Report, provides details on how BCBC will align its core services and goals with government priorities. It also describes how these goals will be achieved and the measures and targets used to evaluate those processes.

Management Discussion and Analysis

Operating Revenues

The 2002-03 financial impacts of GARI were not as significant for the Corporation as originally anticipated. This was due, primarily, to timing delays in customers defining their future requirements and implementing the necessary program changes. As a result, total operating revenues actually increased marginally from the prior year. Recurring occupancy revenues decreased by approximately $16M. This decline was offset by increased one-time revenue of over $18M from GARI projects.



Expenditures

During the year, the Corporation embarked on an organizational redesign process resulting in a more streamlined organizational structure focused on customer success. The new structure, and related business process improvements, resulted in savings in operating and general and administrative costs.

Energy costs of more than $20M a year are a major and fluctuating operating cost for BCBC. In partnership with its customers, BCBC manages this cost through an aggressive energy management program. On the supply side, fuel price volatility is managed through the use of fixed-price contracts for a portion of the natural gas supply. In 2002-03, a combination of energy-saving project implementations, a relatively mild winter and lower-than-projected gas prices resulted in lower energy costs in 2002-03 than in 2001-02.

Gains from Property Sales

As a result of the GARI initiative, a significant number of government real property assets have been identified as surplus. The Corporation is working to generate the highest value from these assets through disposal, alternative use or other strategies. As a result of current real estate market conditions, some BCBC properties have deteriorated in market value and are now below their carrying value. Consequently, a writedown of $4.8M was taken, which reduced net gains on sale of properties. In spite of this offset, the Corporation realized $10.5M in gains on the sale of properties in the 2002-03 fiscal year.

Other One-Time Items

One major impact of accommodation restructuring was the actual and committed vacancies related to special purpose properties. Because of the specialized nature of these properties and their extremely limited value in alternative use, the Corporation recovers the outstanding cost of building improvements from customers who vacate before the end of their committed tenancy. These early terminations of customer tenancies in special purpose properties (primarily youth and adult correctional centres) resulted in net cost recoveries of $13.1million.

A second early retirement incentive plan was offered to staff in early 2003, similar to the plan instituted in late 2001-02. The $1.2M cost of implementing the plan is expected to generate ongoing annual savings, beginning in 2003-04, of approximately $1.4M.

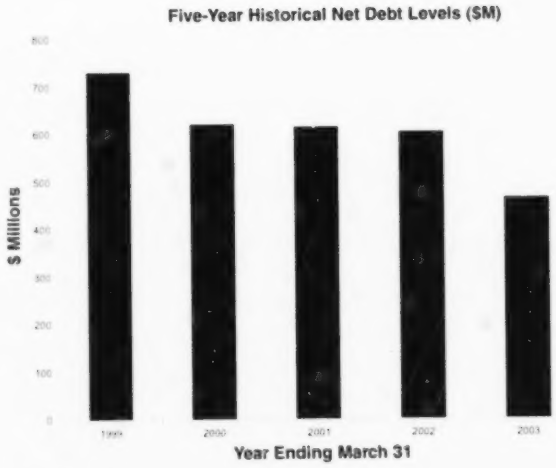
The commercial real estate rental market declined substantially in 2002-03, especially in the Lower Mainland. In the case of the Corporation's owned

commercial portfolio, the risk of market fluctuations is effectively "smoothed" through the re-pricing of properties on a rolling five-year basis. In the case of the leased portfolio, the Corporation's primary lease agreement with a third-party landlord (head lease) and the tenancy terms for customers are almost always in synchronization, thus avoiding the risk of fluctuating costs. However, in 2002-03, there were two leased properties in Vancouver where the head lease and tenancy terms were not synchronized, and the head lease rates were significantly higher than the rates negotiated with the customers occupying the space. This necessitated the Corporation recognizing one-time lease charges of $5.3 million *(see Note 17 on page 39)*.

Balance Sheet

Due to aggressive asset dispositions and a relatively small capital program, the Corporation's net real estate asset investments declined from $891M at March 31, 2002, to $767M at March 31, 2003. This decline also reflects the net writedown of vacated special purpose properties of $43M. New projects completed during the year included the Youth Correctional Centre in Victoria and the Chilliwack Courthouse, in partnership with the local municipality and private sector developers.

Utilizing proceeds of asset sales and early terminations of tenancies in special purpose properties, BCBC aggressively reduced debt levels during 2002-03. Short-term debt ($117M at March 31, 2002) was eliminated, and a long-term debt instrument maturing in June 2003, with a face value of $60M, will be retired without refinancing. The following graph illustrates BCBC's continued focus on reduction of its net debt levels.



Outlook

As the Corporation delivers on its Core Services Review commitments and continues to transform itself into a more strategic real estate advisory organization, the following financial and operational impacts are expected:

- Continued decreases to the real estate asset base and net debt levels as a result of asset disposition, changing government demand levels for accommodation infrastructure and continued capital constraints.
- Reduced interest and amortization costs resulting from the above.
- Reduced operating and general and administrative costs as the Corporation continues to streamline its operations.
- Lower operating margins (income before interest and gains on sale of properties divided by operating revenue) as the owned property portfolio reduces in size and the Corporation moves towards provision of lower-margin advisory services.
- Implementation of the enhanced shared services model (introduction of Service Level Agreements and provision of increasing levels of choice) should lead to increased customer satisfaction. This will, however, also place increased pressure on BCBC to effectively manage the overall portfolio vacancy levels.

- Provision of strategic advisory services to new public sector customers will expand the Corporation's customer and revenue base.
- BCBC is currently assessing the potential for outsourcing its property management functions for possible implementation in late 2003-04. This opportunity will be evaluated within the context of managing business risks while maintaining or increasing service levels and reducing overall costs.
- The Corporation is currently developing a new financial framework that reflects the realigned business model. The focus of the new framework will be to increase accountability for bottom-line financial performance at both the service and business unit level.

Risks and Uncertainties

Within the context of its existing owned portfolio and the changes being implemented in the business model, the Corporation has identified the following areas of business risk and uncertainty:

- Commercial real estate market conditions impact rental rates (and overall financial returns) on owned market properties and also the value and timing of asset sale proceeds.
- As overall business volumes decrease through government restructuring, the Corporation will be challenged to streamline the organization and reduce overhead costs and to mitigate associated lost revenue through new business opportunities in the broader public sector.
- Within the overall environment of corporate restructuring and a potential outsourced property management function, continued focus will be necessary to maintain and increase customer satisfaction and service levels.
- The property tax/grant-in-lieu framework for provincial government agencies is currently under review. A move to full property taxes could result in additional costs of approximately $18M a year. Depending upon the timing of implementation of the new structure, up to 15 months of costs in the implementation year could be non-recoverable. This loss is due to the current process and associated timelines for the Corporation to provide fixed-price quotations to ministry customers.
- The Corporation continues to work through its program of identification and appropriate management of environmental remediation liabilities on its properties. In accordance with current legislation and tenancy contracts, these liabilities are the responsibility of the tenant and are, therefore, recoverable by BCBC.

  The development of a corporate risk management framework has been identified as necessary in order to effectively manage and coordinate these and other risks. The Corporation has begun the implementation of an integrated enterprise-wide framework to consolidate and coordinate the various functional risk management programs.

Report on 2002-03 Performance

Performance Measurement is an integral part of BCBC's Strategic Management process. BCBC uses the Balanced Scorecard process to translate goals, objectives and strategies into tangible measures and targets to drive action. The Corporation benchmarks its performance against industry standards and maintains a culture of continuous improvement. Exception reporting and trend analysis are key tools used to identify areas of opportunity.

This report details BCBC's 2002-03 progress towards achieving the following strategic objectives as defined in the Corporation's 2002-05 Service Plan:

- **Customer Success:**
  Provide best value solutions and service delivery which contribute to our customers' success.
- **Strengthening Our Foundation:**
  Strengthen the Corporation's shared service provider role and continue to implement best practices to optimize corporate performance.
- **High-Performance Culture:**
  Foster a high-performance culture to ensure individual, team and corporate success.
- **Increase Shareholder Value:**
  Leverage BCBC's capabilities to improve the efficiency and effectiveness of the public sector by providing innovative stewardship and strategic advisory services related to real property and accommodation infrastructure.

Annual Business Plan

Each year, the goals and strategies for each strategic objective in the three-year Service Plan are translated into an Annual Business Plan with more specific activities/tactics and related performance measures. The following Performance Report tracks and assesses achievements against the strategies and targets established for 2002-03. This is followed by a discussion of those strategies and measures where progress varied significantly from the plan, and of key trends.

> **Note:** BCBC's 2002-05 Methodology Report (hyperlink provided) provides information on each performance measure (including methodology employed, target rationale, data and benchmarking sources).

Overall, in 2002-03, the Corporation was very successful in making progress against its strategic objectives and goals. BCBC's 2002-05 Service Plan outlines 19 key supporting strategies/initiatives. A decision was made to defer implementation of one of these strategies (implementation of the Customer Relationship Management System) until 2003-04. Of the remaining strategies, 83% (15) proceeded on schedule, and 17% (3) experienced some slippage in implementation.

Of the 27 measures for which performance was tracked in 2002-03, 78% (21) were either substantially met or the target was exceeded, and 22% (6) did not proceed as anticipated or achieve targeted results. Four measures were not tracked during 2002-03. *(Explanations are provided under Exceptions.)*

Strategic Objective 1 – Customer Success

Provide best value solutions and service delivery which contribute to our customers' success.

Key Supporting Strategies	
	- Optimize savings by leading the rationalization of accommodation and real property infrastructure related to each customer's new business direction. ◄
	- Integrate choice as a key component of BCBC's enhanced shared services delivery model. ◄
	- Offer full-service workplace provisioning solutions to meet customer needs. ◄
	- Implement the Customer Relationship Management System. ‖

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
1.1 Increase customer satisfaction				
- Customer Satisfaction Index (CSI) ◄	-	70%	66%	The CSI came in under target and did not shift significantly since the last survey (67% in 2001). *(See variance discussion under Exceptions.)*
1.2 Retain customers				
- Rate of customer and revenue retention ►	100%	95%	100%	All customers and their associated revenues were retained this year.
1.3 Achieve building occupancy charges (BOC) savings to customers				
- Total annual BOC savings realized from government restructuring ◄	-	$30M	$20.2M	Actual BOC savings achieved through the Government Accommodation Restructuring Initiative (GARI) represent 67% of the target. These savings translate into $26.5M in ongoing annualized savings, or 44% of the 2004-05 targeted annualized savings of $60M. *(See variance discussion under Exceptions.)*
1.4 Meet customer needs for choice and full service workplace provisioning				
- CSI ratings for customer choice ◄	-	67%	64.9%	The "choice" rating from the CSI did not shift significantly since the last survey (64.5% in 2001). *(See variance discussion under Exceptions.)*
- Survey rating of extent to which full service workplace provisioning solutions meet customer needs ‖	-	N/A	-	No full workplace provisioning pilots were implemented, therefore the survey was not conducted.

Legend:

►► - Planned progress significantly ahead of schedule / target substantially exceeded.

► - Planned progress completed as per original plans / target met or exceeded.

◄ - Experiencing some slippage in terms of time to completion / targeted results.

‖ - Delayed or stopped.

Strategic Objective 2 – Strengthening Our Foundation

Strengthen the Corporation's shared service provider role and continue to implement best practices to optimize corporate performance.

Key Supporting Strategies	
	- Implement the enhanced shared services model. ➤
	- Increase the use of and the role of the private sector in service delivery and property redevelopment through alternative approaches to outsourcing. ➤
	- Define and implement the shift in the service delivery role to owner's/customer's representative/advisor. ➤
	- Restructure and streamline the organization to enhance overall performance and align with BCBC's shared services model, customer focus, lower revenues, greater use of the private sector and other government priorities. ➤
	- Review and improve our business practices, systems and processes to enhance our corporate performance and to effectively respond to customer, shareholder and employee needs. ➤
	- Continue to implement information technology solutions to enhance our customer and corporate performance. ➤

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
2.1 *Implement the enhanced shared services model*				
- Percentage of customers with Service Level Agreements (SLAs) in place ◄	N/A	100% ministry customers	45%	This initiative is progressing but is behind schedule. Seventeen (of 20) SLAs were completed to final draft stage in 2002-03, of which nine had been signed. *(See variance discussion under Exceptions.)*
2.2 *Increase efficiency and decrease overall and unit costs*				
- General and administrative (G&A) costs (excluding workforce adjustment costs) ➤	$12.755M	12% < 2001-02 ($11.224M)	11.7% < 2001-02 ($11.258M)	Target was essentially met. G&A costs ($11.258M) were marginally over budget/target ($11.224M), and were lower as a proportion of total revenue (2.44%) due to revenue over-achievement.
- Operations and maintenance (O&M) costs per square metre for owned office buildings ➤➤	$53.96	2%< benchmark	18%< benchmark	The 2002-03 results ($48.51) were significantly below the Building Owners and Managers Association (BOMA) benchmark and represented a 10% reduction from 2001-02. This reflects: (a) sale of two significant office properties with relatively high O&M costs; (b) reduced O&M staff due to early retirement without backfilling of vacated positions; (c) efficiencies from ASD/business improvements.
- Lease costs per square metre ➤	-	<benchmark	-	Reported biennially. A benchmarking study is planned for 2003-04.
- Corporate operating margin ➤	16.6%	16.1%	16.0%	Came in essentially on budget/target. The 2002-03 margin performance is consistent with expectations and reflects the disposal of owned properties and the Corporation's continuing shift to private sector service delivery.
- Ratio of area managed per operations and maintenance (O&M) employee (m^2/employee) ➤➤	6,275	6,900	7,414	Target was exceeded by 7.4%. Area managed per employee increased by 18% over 2001-02. Results reflect effects of organizational changes and significant numbers of O&M employees taking early retirement without backfilling of vacated positions.

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
- Energy intensity (MJ/m^2) ➤➤	1,229	1,224	1,205	Results were significantly better than target. The 2002-03 target was revised upwards (from the original 1,173 target in the Service Plan) to reflect updated baseline data. Results are attributable to impact of planned retrofit expenditures and heightened scrutiny being applied by BCBC district offices.
2.3 Increase use of the private sector				
- Percentage of corporate expenditures with the private sector ➤		**2004/05 Targets**		(i) Results were slightly lower than 2001-02 due mainly to significantly lower capital expenditures which have high private expenditure component. (ii) When capital expenditures and third-party lease payments are excluded, results show slight increase, reflecting impact of internal O&M cost efficiencies achieved.
(i) All expenditures	84.8%	≥ 90%	84.1%	
(ii) Excluding capital expenditures and third-party leases	67.2%	≥ 78%	68.1%	
2.4 Implement cost-effective information technology solutions that meet our customer needs				The first IT customer survey (internal and external customers) was conducted this year. These results will form the baseline and be used as a basis for setting targets for subsequent reporting.
- Percentage of customers indicating BCBC's IT solutions met expectations ➤	-	N/A	68%	

Strategic Objective 3 – High-Performance Culture

Foster a high-performance culture to ensure individual, team and corporate success.

Key Supporting Strategies	
	- Implement human resource strategies to ensure that the Corporation has an appropriately skilled and diverse workforce to achieve its business priorities. ➤
	- Develop and/or acquire the critical competencies to support the achievement of our strategic objectives and encourage employee flexibility, innovation and continuous learning. ➤
	- Develop and apply change strategies to manage the organizational transformation. ➤
	- Align team and individual performance and learning goals with our strategic objectives and core values through our performance development process. ➤

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
3.1 Ensure that the Corporation has an appropriately skilled and diverse work force to achieve its business priorities				
- Human capital return on investment (ROI) ➤	3.19	> 90th percentile benchmark	3.29	Results exceed the 90th percentile comparators for professional services organizations (2.60) and for comparably sized organizations (2.38) by a wide margin (Saratoga Institute benchmark). This is due primarily to the high net income from BCBC's owned real property portfolio, which makes comparisons difficult.
- Rate of absenteeism ➤	2.6%	<3%	2.9%	At 2.9% (7.7 days per employee) the rate is consistent with the target and below the industry benchmark (Saratoga Institute) for public sector and government agencies.
- Investment in training per employee ◄	$1,595	$1,600	$1,343	Results were below target due to a number of factors, including: budgetary pressures resulting in less training being recommended; reduced time available for training due to heavy workloads.

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
- Percentage of employees from designated equity groups (DEGs) ➤	41.5%	42%	42.4%	Results exceeded the previous year and target, primarily reflecting an increase in the percentage of women. This was due to the higher rate of male employees taking early retirement. Ability to affect participation rate was limited due to the hiring freeze.
3.2 Achieve full employee participation in the Performance Development Process (PDP)				
- Overall PDP participation rate ◄	73%	90%	86%	Although there were significant improvements in the participation rates from the previous year, the target was not met.
3.3 Achieve a high level of understanding among employees of how their work contributes to the Corporate Service/Strategic Plan				
- Percentage of employees indicating a strong understanding of how their job fits into the attainment of Corporate objectives ‖	60% (2000-01 baseline)	65%	-	No data available because the employee survey was deferred to 2003-04.
3.4 Increase employee satisfaction				
- Percentage of employees indicating "satisfied" or "very satisfied" on employee survey ‖	63% (2000-01 baseline)	66%	-	No data available because the employee survey was deferred to 2003-04.

Strategic Objective 4 – Increase Shareholder Value

Leverage BCBC's capabilities to improve the efficiency and effectiveness of the public sector by providing innovative stewardship, advice and management of services related to real property and accommodation infrastructure.

Key Supporting Strategies	
	- Pursue public-private partnership (P3) solutions for new initiatives. ➤
	- Continue to implement best practice portfolio management plans that achieve an appropriate balance of leased/owned properties, earn market-comparable returns on our real estate and manage associated risks. ➤
	- Accelerate the sale of surplus and selected other properties to contribute to improving the province's fiscal situation while enhancing corporate performance. In particular, develop innovative strategies for the re-use and/or disposal of properties no longer required due to government restructuring, including: court facilities, corrections facilities, highways yards and forest district offices. ➤➤
	- Identify and pursue opportunities to increase the efficiency of the management of real property and accommodation infrastructure in the broader public sector, particularly health and education. ➤➤
	- Continue to implement the Environmental Stewardship Plan. ➤

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
4.1 Achieve targeted financial results				
- Net income ➤➤	$37.3M	$33.8M	$52.1M	Final net income was 54.2% above budget/target. A number of factors contributed to the positive variance, including: ministry restructuring proceeding more slowly than anticipated; lower-than-budgeted asset maintenance expenses; significantly higher net gains from disposal and one-time items, the most significant of which were net recoveries related to early terminations of special purpose properties.

Goals and Performance Measures	2001-02 Actual	2002-03 Target	2002-03 Actual	Discussion
- Return on investment ➤	8.1%	8.0%	8.0%	Results were on budget/target. The result was influenced by higher-than-budget income from operations, offset by high year-end accounts receivable related to the Government Accommodation Restructuring Initiative (GARI) year-end billings.
- Return on equity ➤➤	13.2%	11.1%	16.6%	The return on equity was significantly above target (by 49.5%) and higher than 2001-02 (by 25.8%), primarily due to stronger-than-budgeted net income performance.
4.2 *Maintain office vacancy rates below market*				No target was set because of uncertainties related to government restructuring. When adjusted for GARI activity, the rate is 1.96%, which is in line with the pre-GARI baseline of 1.88%.
- Office vacancy rate ➤	1.88%	N/A	4.45%	
4.3 *Reduce environmental risks and hazards, and manage environmental liabilities*				
- Status of risk management activity (contaminated sites) ➤	72%	90%	92%	92% of sites either do not require remediation, have been remediated, are under remediation or are being managed/monitored. The number of remediated sites has more than doubled, from 32 in 2001-02 to 66 in 2002-03.
- Percentage of pollution prevention (P2) operating practices and infrastructure in place ➤	94.1%	82%	84%	Year-end results exceeded the 2002-03 target. The original target (95%) was revised downward in light of revisions to the methodology.
4.4 *Increase utilization of public-private partnerships (P3s) and maximize private sector contributions*				This target was exceeded by 37%. The results relate to two congregate care facility projects undertaken in partnership with Columbia Basin Trust, one in Castlegar ($7.7M) and one in Invermere ($6M).
- Dollar value of P3 contracts ➤➤	-	$10M	$13.7M	
4.5 *Maximize value on properties sold*				Gains were 75% over budget/target due to the accelerated sales of Hornby and Seymour office properties and sale of fish hatcheries late in the fiscal year.
- Net gains on sale of properties ➤➤	$6.6M	$6.0M	$10.5M	
4.6 *Enhance overall performance of owned portfolio*				All targets were exceeded. Core urban performance declined relative to 2001-02 as a result of the sale of 4000 Seymour, a large asset that provided a $3M contribution in 2001-02. Performance in regional centres improved slightly. The improvement in small/remote properties was driven by a reduction in the appraised value of a property and the sale of an under-performing property.
- Return on investment for owned market-comparable office buildings ➤	Core Urban: 9.3%	9.1%	9.2%	
	Regional: 9.8%	9.8%	10.0%	
	Small/Remote: 8.9%	9.2%	9.4%	
4.7 *Increase support to health, education and other government sectors for their real property and accommodation infrastructure requirements*				Six multi-year agreements/MOUs were signed during the year with customers in the provincial health sector and local and federal government sectors.
- Number of Agreements/Memorandums of Understanding (MOUs) signed ➤➤	-	4	6	

Analysis of Performance Exceptions and Key Trends

Exceptions

Results for 2002-03 did not meet expectations for the strategies and performance targets outlined below. The schedule for these initiatives and measures was overly aggressive considering the significant changes our customers were experiencing with government restructuring and the transformational changes that were occurring within BCBC.

Customer Satisfaction/Customer Choice

The Customer Satisfaction Index (CSI) is derived from results of an annual customer survey of facilities and program managers. Ratings obtained from the 2003 survey were below target but consistent with results obtained in the last survey, conducted in 2001.

- The CSI result was slightly lower than in 2001 (66% compared to 67% in 2001), and the rating on responses to the survey question on overall satisfaction was slightly higher (70% compared to 69%).
- The "choice" rating results showed a slight increase (64.9% compared to 64.5% in 2001).

Further analysis of the survey results is occurring, and action plans will be developed to address issues identified. Additional actions that will contribute to improving customer satisfaction results in the future include:

- Service Level Agreements, which offer customers choice in service areas of specific interest to the particular customer, will be in place with all ministry customers early in 2003-04.
- Corporate-wide business process re-engineering is underway. The goals of this work are to enhance customer choice, improve overall customer service and increase cost-effectiveness.

Building Occupancy Charge (BOC) Savings

The identification of BOC savings has been proceeding more slowly than originally anticipated due to:

- inability to translate staff (FTE) reductions into space and cost reductions
- delays in some ministry restructuring and corresponding reductions
- changes in some ministry restructuring plans

Work continues to identify opportunities to reach the original $60M target for BOC savings by 2004-05.

Service Level Agreements

The 100% completion target for ministry Service Level Agreements (SLAs) will be met later than anticipated. As of March 31, 2003, 45% (9 of 20) ministry customers had signed SLAs in place. An additional eight agreements were complete to the final draft stage and awaiting customer approval. It is expected that the remaining agreements will be completed and signed early in the 2003-04 year.

In the completed SLAs ministry customers were offered choice in service areas particular to their specific interests.

Performance Measures Not Reported

Full Workplace Provisioning Survey Rating

No full workplace provisioning projects were implemented.

Overall Employee Satisfaction & Employee Understanding of How Their Job Fits into the Attainment of Corporate Objectives

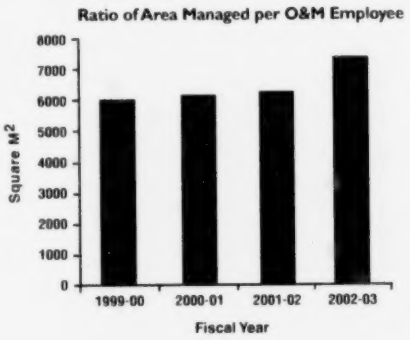
Ratings for these measures are derived from an Employee Survey. This survey was deferred to 2003-04 due to corporate restructuring.

Lease Costs Per Square Metre

This new measure will be reported every two years, starting in 2003-04.

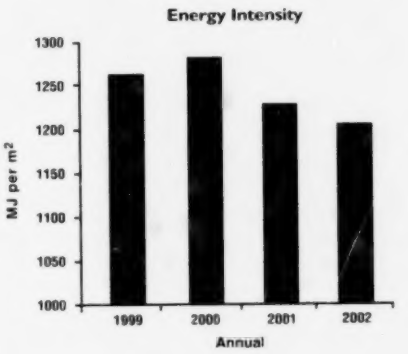
Key Trends

This section provides graphs illustrating trends related to 2002-03 performance highlights. (Additional trend information is provided in the **Financial and Operational Highlights** and **Management Discussion and Analysis** sections.)



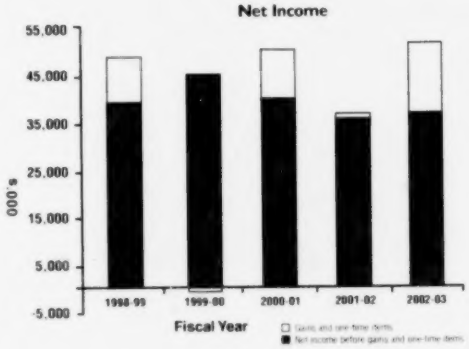
Area Managed per Operations & Maintenance Employee

Area managed per O&M employee exceeded the target by 7.4% and was 18.2% above 2001-02 results. Performance has improved steadily for a number of years but not as dramatically as this year. The 2002-03 performance reflects the effects of organizational changes during the year and, in particular, the success of the Early Retirement Incentive Program (ERIP) coupled with a hiring freeze.



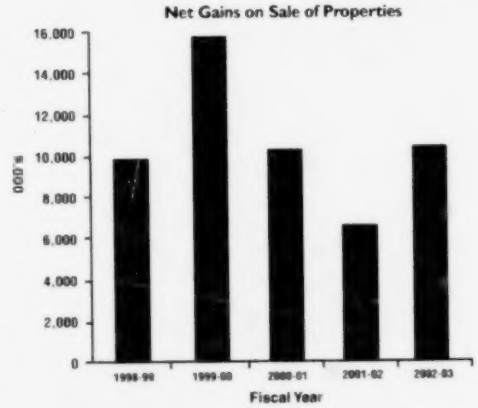
Energy Intensity (megajoules per m^2)

Energy intensity measures the amount of energy consumed per square metre (megajoules per square metre) of space in buildings that BCBC owns or leases. The 2002 results significantly exceeded the targeted reduction, which was based on planned retrofit expenditures, and represented a 1.9% reduction over last calendar year. The additional reduction is attributed to the heightened level of scrutiny being applied by BCBC's district offices and the strong support of the BC Hydro PowerSmart Program in the pursuit of energy efficiency opportunities.



Net Income

Final net income for 2002-03, at $52.1M, was significantly higher than the original budget ($33.8M). This was primarily due to a number of one-time items. (Details are provided in the **Management Discussion and Analysis** section.) When adjusted for net gains and other one-time items, net income has remained stable compared to the previous fiscal year.



Net Gains on Sale of Properties

During 2002-03, 62 properties were sold, with sales proceeds of $98M and net gains of $10.5M. This included five commercial office properties, 12 courthouses, two correctional facilities, various special purpose properties (including highways yards, fish hatcheries and residences) and 14 parcels of vacant land. Net gains were significantly higher than budget ($6.0M), but have remained relatively stable at $10M to $15M per year.

Financial Report

Management's Report

The financial statements of British Columbia Buildings Corporation have been prepared by the management of the Corporation, which is responsible for their consistency, integrity and objectivity. The statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that the Corporation's assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities through its Audit Committee, whose members are not involved in the day-to-day activities of the Corporation. The Committee meets regularly with management and the external auditors, who have full and free access to the Committee.

The external auditors, who are appointed by the Lieutenant-Governor-in-Council, have examined the financial statements, which have been approved by the Board of Directors on recommendation of the Audit Committee.

John Beales
President and
Chief Executive Officer

Lak Parmar, CMA
Vice President, Corporate Services and
Chief Financial Officer

The Auditors' Report

To the Lieutenant-Governor-in-Council,
Province of British Columbia

We have audited the balance sheet of the British Columbia Buildings Corporation as at March 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Victoria, British Columbia
May 9, 2003

Balance Sheet

$ 000s	March 31 2003	2002
ASSETS		
Real estate investments		
Income-producing properties (note 3)	720,195	826,631
Income-producing properties under construction (note 4)	19,031	32,557
Properties held for sale or development (note 5)	27,754	31,826
	766,980	**891,014**
Corporate properties and equipment (note 6)	12,597	13,220
Unamortized debt discount and issue expenses	8,008	8,459
Other assets (note 7)	130,468	79,138
	918,053	**991,831**
LIABILITIES		
Long-term debt (note 8)	463,062	485,223
Short-term debt (note 9)	-	116,530
Other liabilities (note 10)	122,930	96,020
	585,992	**697,773**
EQUITY		
Contributed surplus	52,832	52,832
Retained earnings	279,229	241,226
	918,053	**991,831**
Commitments (note 11)		

See accompanying notes to the financial statements.

On Behalf of the Board:

Lucie Gosselin, CA
Acting Chair

Taryn Brodie, CPA
Director

Statement of Income and Retained Earnings

$ 000s	Year Ended March 31 2003	2002
REVENUES		
Rentals	396,567	412,738
Other income	64,605	46,050
	461,172	**458,788**
EXPENSES		
Lease costs	141,273	136,895
Operations and maintenance	98,636	106,803
Amortization	37,960	41,570
Client requested projects	52,458	35,641
Property taxes and grants	18,794	18,233
Energy	21,967	23,561
General and administrative	11,258	12,755
Environment	5,057	7,374
	387,403	**382,832**
INCOME FROM OPERATIONS	73,769	75,956
Interest (note 12)	(36,902)	(39,867)
Gains on sale of properties	10,535	6,636
INCOME BEFORE OTHER ITEMS	47,402	42,725
Government Accommodation Restructuring (note 15)	(1,945)	(396)
Early Retirement Incentive Plan (note 16)	(1,183)	(5,076)
One-time lease charges (note 17)	(5,270)	
Cost recoveries — early terminations (note 18)	13,119	
NET INCOME	**52,123**	**37,253**
Retained earnings, beginning of year	241,226	219,107
Dividend	(14,120)	(15,134)
RETAINED EARNINGS, END OF YEAR	**279,229**	**241,226**

See accompanying notes to the financial statements.

Statement of Cash Flows

$ 000s	Year Ended March 31 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	52,123	37,253
Non-cash items		
Amortization of capital assets and other amounts	38,412	42,022
Writedown of vacated properties	43,244	
Gains on sale of properties	(10,535)	(6,636)
Other assets and liabilities, net change	(49,459)	16,454
	73,785	**89,093**
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate investments	(14,304)	(47,366)
Corporate properties and equipment	(3,659)	(5,312)
Proceeds from sale of properties	97,969	8,011
	80,006	**(44,667)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayments	(1,061)	(146)
Increase in sinking funds	(21,100)	(20,173)
(Decrease)/increase in short-term debt	(116,530)	8,829
Dividends paid	(14,120)	(15,134)
	(152,811)	**(26,624)**
INCREASE IN CASH AND CASH EQUIVALENTS	980	17,802
Cash and cash equivalents, beginning of year	28,662	10,860
CASH AND CASH EQUIVALENTS, END OF YEAR (note 13)	**29,642**	**28,662**

See accompanying notes to the financial statements.

Notes to Financial Statements

March 31, 2003

(Tabular amounts in $ 000s)

1. Statement of Purpose

British Columbia Buildings Corporation (the Corporation), established in 1977 as a Crown Corporation of the Province of British Columbia through the enactment of the *British Columbia Buildings Corporation Act*, has a mandate to serve as an agency of the Crown in providing real property and accommodation infrastructure services to the provincial government and the broader public sector. Corporate and customer accountability is achieved by charging market-based prices for services rendered and using private sector management principles. During the year, the Corporation received 74% (2002 — 73%) of its revenues from provincial government ministries, 10% (2002 — 9%) from other provincial government entities, with the balance from other sources.

2. Accounting Policies

The financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies (CIPREC). The Corporation's significant accounting policies are as follows:

(a) Real Estate Investments and Corporate Properties and Equipment

Real estate investments and corporate properties and equipment are recorded at cost less accumulated amortization. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses. Capitalized costs do not exceed estimated future recoveries for income-producing properties and estimated realizable value for properties held for development.

(b) Temporary Investments

Temporary investments represent short-term funds administered by the Province of British Columbia. These investments are recorded at cost which approximates market.

(c) Amortization

Real estate investments and corporate properties and equipment are amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. Amortization is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are from five to fifty years. The estimated useful lives of all other assets are from three to ten years.

(d) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Related Party Transactions

The Corporation is related through common ownership to all Province of British Columbia departments, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which provincial government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount. Unless disclosed separately in these financial statements, this exchange amount approximates market.

(g) Environmental Expenditures and Liabilities

Under the current environmental legislation and the Corporation's standard accommodation agreement with customers, responsibility for site cleanup rests with the polluter. Environmental cleanup costs are recoverable from customers. These recoveries are included in other income. Environmental expenditures incurred as a result of the ongoing business activities of the Corporation are expensed or capitalized as appropriate.

(h) Accounting Estimates

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are evaluated as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for amortization of capital assets and deferred charges are based on estimates of the useful life benefit of these assets. The effect on the financial statements of changes in such estimates in future periods is not anticipated to be significant.

Notes to Financial Statements

March 31, 2003

(Tabular amounts in $ 000s)

3. Income-Producing Properties

	2003	2002
Net book value:		
Cost	1,236,769	1,388,381
Accumulated amortization	(516,574)	(561,750)
	720,195	**826,631**
Activity:		
Net book value, beginning of year	826,631	840,390
Properties transferred from income-producing properties under construction	26,187	32,522
Writedown of vacated properties	(43,244)	
Disposals, net	(55,018)	(8,876)
Amortization expense	(34,361)	(37,405)
Net book value, end of year	**720,195**	**826,631**

4. Income-Producing Properties Under Construction

	2003	2002
Balance, beginning of year	32,557	18,767
Direct development and construction costs	8,710	40,370
Capitalization of:		
Interest	1,372	2,294
General and administrative expenses	2,579	3,648
Cost of properties completed and transferred to income-producing properties	(26,187)	(32,522)
Balance, end of year	**19,031**	**32,557**

5. Properties Held For Sale or Development

	2003	2002
Balance, beginning of year	31,826	23,096
Capitalization of interest and property tax	735	767
Acquisitions/(disposals), net	(4,807)	7,963
Balance, end of year	**27,754**	**31,826**

Notes to Financial Statements

March 31, 2003

(Tabular amounts in $ 000's)

6. Corporate Properties and Equipment

	2003	2002
Cost:		
Office and data processing equipment	26,196	22,725
Corporate properties and leasehold improvements	8,773	9,905
Maintenance equipment	2,820	2,984
Vehicles	5,680	6,166
	43,469	41,780
Accumulated amortization	(38,872)	(28,560)
	12,597	**13,220**

7. Other Assets

		2003	2002
Temporary investments		32,500	34,500
Accounts receivable:			
Short-Term	- Provincial ministries and entities (note 15)	84,998	28,013
	- Other	5,261	9,789
Long-Term	- Provincial ministries and entities	904	2,547
	- Other	6,657	4,143
Prepaid expenses		148	146
		130,468	**79,138**

8. Long-Term Debt

	2003	2002
Debentures payable to the Province of British Columbia		
Various issues at an average effective interest rate of 7.92% (2002 – 7.92%) maturing at various times to 2029 (2002-29)	622,512	622,512
Mortgage payable to the Bank of Montreal	-	1,061
	622,512	623,573
Sinking funds on deposit with the Province of British Columbia	(159,450)	(138,350)
	463,062	485,223

At March 31, 2003, the coupon rates on the long-term debt ranged from 5.40% to 10.75% (2002 – 5.40% to 10.75%).

The Province of British Columbia has unconditionally guaranteed the principal and interest of all debt payable to third parties.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

2003-04	53,325
2004-05	9,973
2005-06	9,973
2006-07	8,656
2007-08	7,903

9. Short-Term Debt

There were no short-term notes outstanding at March 31, 2003. In the prior year, the interest rates on short-term debt ranged from 1.77% to 2.19% and resulted in an average effective interest rate of 2.0% for the notes then outstanding.

10. Other Liabilities

	2003	2002
Bank indebtedness, unsecured	2,858	5,838
Accounts payable and accrued liabilities	46,692	36,454
Holdbacks	10,238	11,789
Accrued interest payable:		
Province of British Columbia	10,418	10,621
Other	-	3
Deferred revenue	52,724	31,315
	122,930	96,020

11. Commitments

The Corporation estimates that the cost to complete projects under construction at March 31, 2003, will be $10,201,000, of which $4,711,000 has been committed.

The Corporation has entered into leases with third parties to provide space for customers and corporate operations for varying periods up to the year 2023, at a total aggregate net rental of approximately $494,379,000. Most lease terms are from five to ten years and include renewal options.

Minimum lease payments that will be charged to operations in subsequent years for leases committed at March 31, 2003:

2003-04	115,964
2004-05	86,971
2005-06	64,085
2006-07	44,274
2007-08	33,115
Thereafter	149,970

The Corporation had outstanding letters of credit totaling $6,435,000 at March 31, 2003, to guarantee performance on various projects. This amount includes a letter of credit to the Corporation of the City of New Westminster for $5,934,511 for the provision of amenities improvements and servicing to the Woodlands site prior to its planned disposal.

12. Interest

	2003	2002
Interest on long-term debt	48,094	47,926
Other interest	(750)	2,353
Amortization of debt discount and issue expenses	452	452
	47,796	50,731
Deduct:		
Sinking fund earnings	9,066	8,182
Interest capitalized	1,828	2,682
	10,894	10,864
	36,902	**39,867**

13. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	2003	2002
Cash on hand and bank indebtedness	(2,858)	(5,838)
Temporary investments	32,500	34,500
Total cash and cash equivalents	**29,642**	**28,662**

14. Employees' Benefit Plans

The Corporation and its employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The plan is a multi-employer, contributory-defined benefit pension plan with over 58,000 active plan members and approximately 27,000 retired plan members. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a $546M surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made. Contributions to the plan by the Corporation totaled $3,033,000 during the year.

In addition, employees are entitled to specific retirement benefits as provided for under the collective agreement and terms of employment. The Corporation accrues the future obligation for these benefits as the employees render the services necessary to earn the benefit. During the year, an expenditure of $734,000 was recognized, representing these retirement benefits.

15. Government Accommodation Restructuring

In January 2002, provincial government ministries released their service plans for the 2002-05 period. The implementation of these service plans is resulting in significant changes to ministry programs and associated accommodation requirements. Government has established a fund for certain costs associated with the accommodation restructuring over the 2002-03 and 2003-04 fiscal years. During the year, the Corporation invoiced $90,185,000 (2002 — $21,047,000) to the fund for accommodation restructuring activities. At March 31, 2003, $64,079,000 (2002 — $16,176,000) is included in accounts receivable (note 7).

The Corporation remains responsible for the following specified costs associated with this restructuring:

(a) For leased market properties vacated by its ministry customers, the Corporation is responsible for costs incurred during the first six months of the vacancy period. During the year, the Corporation recognized an expenditure of $1,945,000 related to leased space scheduled to be vacated in 2003-04.

(b) For owned market properties vacated by its ministry customers, the Corporation is responsible for costs associated with any long-term impairment in value of these assets that may result from this vacancy.

Determination of any additional costs for vacant space in leased and owned market properties remains subject to final decisions on the implementation of ministries' service plans. These costs will be recognized in the period when they become quantifiable.

During the year, the provincial government directed the Corporation to sell certain courthouse properties to municipalities at amounts less than appraised value as if vacant. The Ministry of Finance reimbursed the Corporation for $1,906,000 related to these sales, representing the accumulated difference between total sale price of $2,091,000 and total net book value of $3,997,000. The net book value of these properties approximated fair market value.

16. Early Retirement Incentive Plan

In February 2003, the Corporation offered an early retirement incentive plan to certain employees. The terms and conditions of this plan were identical to the plan offered in January, 2002. During the year, the Corporation recognized an expenditure of $1,183,000 for costs related to those employees who accepted early retirement under the provisions of this incentive plan.

17. One-Time Lease Charges

During the year, the Corporation recognized an expenditure in the amount of $5,270,000 related to certain leased properties in Vancouver due to a decline in the commercial real estate rental market. These charges relate to shortfalls between amounts to be received from the Corporation's customers and the amounts to be paid to third-party landlords over the customers' tenancy term.

18. Cost Recoveries - Early Terminations

Special purpose properties (correctional centres, fish hatcheries, etc.) are priced to the Corporation's customers on a mortgage basis over the term of the estimated useful lives of the properties. Should a customer choose to vacate the property prior to the expiration of its useful life, the remaining balance owing by the customer is due to the Corporation as an early termination penalty.

The Corporation amortizes the special purpose properties on a straight line basis over their estimated useful lives, which results in net asset values that are lower than the outstanding principal balances owing by the customers. As part of government accommodation restructuring, a number of these properties have and will be vacated by ministries. These cost recoveries comprise the termination penalties ($61,142,000), net of asset writedowns ($43,244,000) and costs associated with the early retirement of long-term debt ($4,779,000).

19. Risk Management

(a) Interest rate risk:
In conjunction with the Ministry of Finance (the Corporation's fiscal agent), the Corporation may enter into interest rate agreements to manage its exposure on debt instruments. The terms of these instruments are disclosed in notes 8 and 9.

(b) Credit risk:
The Corporation grants credit to its customers, the majority of whom (note 1) are Province of British Columbia entities. Management feels that any risk associated with such a concentration of credit is offset by the fiscal stability of these clients.

(c) Fair value of financial instruments:
The carrying amounts of financial instruments, other than long-term debt, included in the balance sheet approximate their fair value, due to their short-term nature. The fair value of the Corporation's long-term debt, net of sinking funds, at March 31, 2003, was $561,063,000 (2002 — $571,827,000). The fair value of the long-term debt has been estimated based on current market rates for long-term debt with similar terms and conditions.

20. Comparative Figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Report on Corporate Governance

BCBC GOVERNANCE PRACTICES

To guide the Corporation in fulfilling its mandate, a maximum nine-member Board of Directors is appointed by the Lieutenant-Governor-in-Council. These independent Directors are chosen on the basis of their skills, expertise and experience.

The Board is responsible for providing strategic direction and for guiding the Corporation in the fulfilment of its mandate.

The Corporation's governance framework, jointly developed by the Board and Management, utilizes best practices of corporate governance. It has the objectives of clarifying lines of responsibility and accountability; promoting an effective working relationship between the Board, Management and the shareholder; and setting out agreed objectives, expectations and results in accomplishment of the corporate mandate.

The Board has established and adopted terms of reference for two Board committees: an Audit Committee and a Human Resources Committee.

Audit Committee

The responsibilities of this committee include reviewing the internal audit plan; overseeing the audit function as performed by both external and internal auditors; reviewing the annual external audit report and the audited financial statements; and participating with management in the periodic selection of the external auditor.

Audit Committee — Taryn Brodie (Acting Chair), Lucie Gosselin, Tod Cooper and Mike Delesalle.

Human Resources Committee

This committee reviews information and makes recommendations regarding compensation, labour relations and key human resource policies and practices. They are also responsible for the recruitment, succession planning and performance evaluations of the President and CEO. The committee also reviews the President's recommendations regarding compensation, evaluation and changes within the positions that report directly to the President.

Human Resources Committee — Peter Cook (Chair), Gary Cowan, Lynne Fehr and Randy Zien.

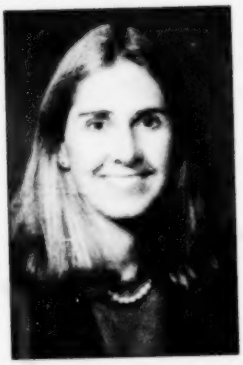
Additional Board committees may be established by resolution of the Board, and ad hoc groups may be set up to undertake specific tasks.

BCBC has adopted, for both Board members and employees, a code of conduct that sets out expectations for corporate behaviour relating to duties of care and ethical standards.

In January 2003, BCBC's first Shareholder's Letter of Expectations was signed by the Minister Responsible for BCBC on behalf of the shareholder and by the Acting Board Chair on behalf of the Corporation. This letter confirms the shared understanding between the shareholder and the Corporation on key governance issues, corporate mandate and core services, public policy issues, strategic priorities and performance expectations.

Board of Directors

Lucie Gosselin
Acting Chair (Nanaimo)



Taryn Brodie
(Vancouver)

Peter Cook
(Vancouver)

Tod Cooper
(Kamloops)

Gary Cowan
(Vancouver)

Mike Delesalle
(Vancouver)

Lynne Fehr
(Prince George)

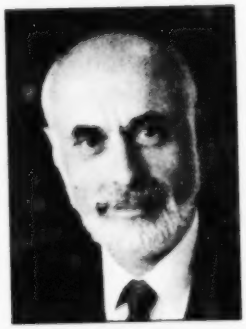
Randy Zien
(Vancouver)

Executive Committee

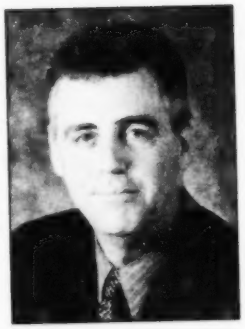
John Beales
President and
Chief Executive Officer

Sharon Halkett
Executive Vice President,
Customer Services

Lak Parmar
Vice President,
Corporate Services and
Chief Financial Officer



Brian Kennedy
Vice President,
Portfolio Management



Barry Herring
Assistant Vice President, Service
Delivery Management

Herman Starink
Assistant Vice President,
Customer Advisory Services

Glossary of Terms

Accommodation Infrastructure

Accommodation infrastructure includes the buildings, facilities and properties that make up workplaces, as well as workplace tools, such as furniture and telecommunications.

Alternative Service Delivery (ASD)

Alternative service delivery refers to the range of methods by which BCBC may manage service delivery to its customers. The term is usually used when considering the strategies that can be used to change either the way a service is being delivered or the way service demand is managed. Potential alternative service delivery methods/strategies include a continuum of methods including, but not limited to, shared services, co-sourcing, public-private partnerships (P3s), contracting out, outsourcing, non-asset-related strategies (e.g., eliminating or reducing demand for a particular service) or existing asset strategies (e.g., using existing assets more intensively rather than expanding capacity).

Customer Relationship Management (CRM)

Customer Relationship Management is a customer-focused business strategy designed to understand, anticipate, manage and personalize customer services. CRM employs people, process and technology strategies to create customer value specific to the unique needs of each customer. The outcome of effective CRM is increased customer retention.

Environmental Sustainability

At BCBC, environmental sustainability involves developing and protecting the resources used in carrying out our business in a manner that recognizes society's ecological limits. We become a net contributor to a sustainable environment by reducing the use of materials that accumulate in the biosphere, by minimizing degradation of natural systems and by promoting the fulfilment of human needs.

Full Workplace Provisioning (FWP)

FWP is the integrated procurement, implementation and ongoing management of workplace components including: physical accommodation, furniture, equipment and environmental and telecommunication services (voice, data and network) that support customer service delivery.

Government Accommodation Restructuring Initiative (GARI)

BCBC was appointed by government to strategically manage the restructuring of ministry accommodations infrastructure arising from the Core Services Review and three-year budget process. In response, the Corporation acquired approval of central funding from Treasury Board to deliver the Government Accommodation Restructuring Initiative (GARI). GARI responsibilities include working closely with ministries to ensure that appropriate accommodation solutions are identified and implemented to address their changing program requirements and budget targets. The Corporation is also seeking to integrate Service Delivery Project Cross-Ministry Work Team outcomes with GARI project activity in various communities around the province.

Partnerships BC

Partnerships British Columbia is a company owned by the Province. The company is governed by a Board of Directors and reports to the Minister of Finance. Its mandate is to promote and support public-private partnership (P3) projects and to identify options for maximizing the value of public capital assets.

Performance Development Process (PDP)

The PDP aligns individual employee performance with BCBC's strategies for success. It involves having each employee develop a personal performance plan that links their individual goals and associated activities to BCBC's visions, values and business strategies and a learning plan that identifies the skills, knowledge, experiences and supports required to accomplish their individual work goals. Included in the plan are the strategies the employee will use to maintain their goals. The plans also require employees to identify feedback sources from internal and external customers, with the expectation that the employee will seek feedback on a continuous basis.

Public-Private Partnership (P3)

A public-private partnership is a partnership between the public and private sectors for some combination of ownership, design, construction, financing, operation and/or maintenance of public capital assets. The partnership may rely on user fees or alternative sources of revenue to recover all or part of the related capital (debt servicing and return on equity if applicable), operation and capital maintenance costs.

Real Property

The term "real property" refers to both land and associated improvements. It includes buildings and other affixed infrastructures.

Service Level Agreement (SLA)

SLAs are agreements between BCBC and its customers (or BCBC and its partners) that describe the type, level and standard of service to be provided and the corresponding price. SLAs typically identify performance measures that will be used to evaluate BCBC's services and to support a continuous improvement philosophy which is reflected in customer satisfaction and, ultimately, in customer success.

Shared Services

Shared services is the sharing and leveraging of resources, people and information to reduce costs and improve service quality. It involves bringing together functions that are frequently duplicated across divisions, subsidiaries or operating units and offering these services more efficiently and at a lower cost, through a shared services centre.

Stewardship

The term "stewardship" encompasses the preservation and enhancement of the assets and resources that have been entrusted to us.

British Columbia Buildings Corporation
2002-2003 Annual Report

This entire report, in accordance with British Columbia Buildings Corporation environmental practices, is printed on paper that is elemental chlorine-free, acid free and is both recycled and recyclable.

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